ALASKA'S

AIR PERMITS SERVICE AND FUNDING ANALYSIS

JUNE 2002

SUMMARY REPORT

PREPARED BY ADEC

AIR & WATER QUALITY DIVISION

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I. PROBLEM STATEMENT

Continuing to operate DEC's Air Permits Program within the bounds of current funding limits is:

- not compatible with meeting business needs for the regulated businesses and industries in Alaska;
- does not fulfill the intent of the 1993 Alaska law;
- and will result in eventual takeover of the program by the Environmental Protection Agency due to insufficient performance.

II. BACKGROUND

In 1993, the Alaska Legislature directed the Department of Environmental Conservation to develop and implement a fee-based air quality permit program to meet the requirements of the new federal law – the 1990 Clean Air Act Amendments. The two primary public goals of the program were to (1) comply with the new law with respect to air operating permits so as to ensure continued receipt of federal highway funds and to (2) ensure that permitting decisions were made by state rather than federal authorities.

To serve as the foundation of the fiscal note for the Alaska Legislature's 1993 bill (HB 167), the department prepared a report estimating the amount of resources the new program would need and the expected permit fee rates. When the department adopted final implementing regulations in December 1996, the funding and fee rates were based on this 1993 report. Both the department and legislature recognized that the funding and fee structure would need to be periodically evaluated and revised.

This document reports on the department's experience implementing the program and presents financial and programmatic options that can be used to set the future course of the air permits program. This document is supported by a more detailed accounting report that is available from the department upon request.

Clean Air Act Permit Program

House Bill 167 (1993) required the department to adopt regulations and implement an emission control permit program to meet the requirements of the Federal Clean Air Act (CAA). The CAA requires two types of permits--a construction permit under Title I and an operating permit under Title V – provided through a self sustaining, state operated, fee based program.

In keeping with CAA requirements, Alaska's statute directed that the cost of the entire program would be recovered through permit fees. The statute further directs the department to implement the program in a manner that

- meets federal requirements, allows efficient and cost effective processing of permits,
- requires accountability from the department on matters related to recovery of program costs and
- ensures the productivity of the state's businesses while
- protecting the health and welfare of the state's residents.

Federal Requirements

Currently the permit program appears to meet federal requirements, but the EPA has questioned the rate at which operating permits are issued and the ability of the program to collect adequate fees to support the program. DEC has received correspondence from EPA expressing their concerns about program deficiencies. If EPA were to rescind approval of Alaska's Title V permit program, EPA's subsequent actions under the Clean Air Act could lead to federal takeover of the Title V program. If this were to occur, Title V permit fees would be paid to the federal government and loss of federal highway funds would likely result.

Program Services & Purpose

The Air Permits Program issues Air Quality Permits to authorize the construction or operation of regulated stationary sources of air pollution for about 470 installations in the state. Examples include electrical power plants, mines, seafood processors, and oil and gas exploration and production facilities. The program provides the following specific services:

- manage industrial emissions of air pollution, both permitted and unpermitted, to prevent air pollution from injuring Alaskans;
- prevent significant degradation of air quality;
- implement best available pollution control technology in industrial operations;
- provide compliance assistance at regulated facilities;
- provide a no-cost permitting and technical assistance service to qualifying small businesses;
- update and improve the State permitting program; and
- develop and maintain air quality databases to provide access to environmental data and improve assessment, mapping, and reporting of environmental conditions.

III. FOUNDING PRINCIPLES OF THE PERMIT PROGRAM

Legislative Intent

The Policy and Statement language of the 1993 Alaska law (HB 167) is succinct, The Alaska Legislature desired, in general, to meet federal minimums with respect to the substantive obligations placed upon commercial and industrial operations and with respect to the costs incurred by the air permit program. Overall, HB 167 was enacted to ensure continued receipt of federal highway funds and to ensure that Alaska would issue Operating Permits rather than EPA.

The following points provide a summary of the fiscal highlights of the law.

- Under the federal law, the Operating Permit Program is to be 100% funded by permit fees. Alaska law established two types of fees: Permit Administration Fees and Emission Fees. This structure was designed by the Alaska Air Quality Legislative Working Committee and was more or less adopted without significant change by the Legislature. Alaska law does not distinguish between fees for construction permits and operating permits; requiring that fees support the full costs of both construction permits and operating permits. To apportion the cost of the permit program among the permitted facilities, the statute establishes a Permit Administration Fee and Emission Fee for each permittee.

- Permit Administration Fees are based on the premise that a cost generator should be a cost bearer and use a dollar per hour fee system. These fees were designed to provide accountability for cost control and a strong motivation for program efficiency.

- All other permit program costs must be recovered through Emission Fees. Emission Fees recover permit program costs "that are generally not associated with service provided to a specific facility. " The annual fees are based on the quantity of air contaminants emitted for that year. The purpose of this fee is to distribute the costs of performing those functions of the permit program that benefit or assist all permit holders, yet are not directly attributable to any single facility. Costs include rent, utilities, accounting, the no-cost assistance for qualifying small businesses, updates for regulations or procedures to improve program efficiency or incorporate new federal requirements, and working with EPA to assure that new federal laws and regulations are reasonable for Alaska.

- For contaminants regulated by the state but not regulated by the federal government, emission fees were capped at 4,000 tons for the first two years. There was no cap on fees for federally-regulated air contaminants. The cap could be continued, changed, or discontinued based on the fee analysis performed by the department.

- The initial Emission Fee formula and rate were to be short-term, interim measures. DEC was directed by the new law to study the equities and inequities of the initial rate and formula; to report its findings; and to base any changes to the fee rate on the report. This was to occur after the first two years of the program and every three years thereafter. This document represents the first report in response to that prevision of the statute.

- The final fiscal note for the bill estimated that the costs to execute the program in 1994 would be $442,000; costs would further rise and peak in 1997 at $4.22 million; then level off at $3.74 million from FY 98 onward.

- Administrative Fee rates were expected to be $64.08 (1992 dollars). Emission Fees were expected to be $3.20 - $6.45 per ton of air emission at each facility. The actual fee rate is set in regulation. The current fee rates are $ 78/hour and $ 5.03 per ton of emitted air contaminant.

- The Clean Air Protection Fund was established to create the federally required segregated funding mechanisms for receiving fee revenues and expending those funds only for program costs. Penalties, interest, enforcement recovery and other sources of income do not go into this fund, but rather are deposited into a separate account of the general fund.

Financial History

In 1993, the Department prepared a Budget and Staffing report. For purposes of the current day analysis, this report will focus on two areas: 1) the fee based revenues and the relative proportions generated from hourly permit administration fees vs. emission fees; and 2) the work distribution and efficiency of staff.

The 1993 Report *(Title V Proposed Permit Program Estimated Budget and Staffing January 1993)* indicated that the Air Permits Program would require a staffing of 45.9 positions and an associated budget of $3.74 million to provide timely services and responsibly executed the provisions of HB 167, now AS 46.14.

The 1993 report estimated that 31.2 of the 45.9 staff were needed to provide the direct permit services - the estimated costs were $2.64 million per year to be recoverable through permit administration fees.

Similarly, the other program services not directly attributable to a specific permitted facility was estimated to require 14.7 full time equivalent staff - the estimated costs was $1.1 million per year to be recovered through an emission fee.

From the above calculations, in 1993 it was estimated that 70% of revenues to support the total program costs would come from permit administration fees and 30% from emission fees.

IV. SUMMARY FINDINGS OF FINANCIAL & PROGRAMATIC PERFORMANCE 1996-2001

Financial Findings

- The actual annual costs of the air permitting program has been significantly less than the costs estimated in 1993 when the new law was enacted (approx. $ 2.6 million vs. $3.7 million). The program's delivered services are significantly less than envisioned in 1993 and less than the demand as discussed in later findings. If program services are increased to be responsive to the user demand and responsible air quality management, annual costs will still remain below the estimated costs made in 1993.

- Revenues from emission fees have significantly decreased in the last three years due to 1) permittees more accurately estimating their emissions and 2) actual reductions in emissions at a few large facilities. Billed emissions fees in fiscal year 2002 (ending June 30, 2002) are $748,572 as compared to $ 1,134,033 in fiscal year 1998 and $1,904,429 in fiscal year 1999. This reduction in revenue is a serious fiscal constraint upon program operations. See figures 1 and 2.

- In 1993, one of the base assumptions was that permit administration fees (hourly fee for service) would carry 70% of the total costs of the program. This has not held true. Recent tracking and analyses of work records indicates that 55% rather than 70% of program expenses originate from direct permit services and therefore should be recovered from permit administration fees. See figure 3.

- Federal grant funds and associated state matching funds have been available to supplement permit fee revenues in supporting the Air Permits Program. The non-fee based funds have varied by year ranging from $253,700 (FY01) to $393,563 (FY02). These monies are primarily used to support part of the costs for program development/regulation updates and construction permitting.

- The actual annual billable hours (permit administration fees) are lower than projected in 1993. The billable hours are lower for two reasons; the number of staff are less; 25 actual staff vs. 45 staff in the 1993 projections, and the number of hours billed annually per staff are less; 619 vs. 751. The program has maintained 31 staff positions for the past several years, but vacancies are both common and intentional as discussed in later findings.

  Note: the data can be viewed differently in order to look at the billable work without the influence of staff size. In the 1993 projections, on aggregate across all staff, billed hours would consist of 35% of annual work hours. Current data indicates that the program staff in aggregate bills 31.7 % of the total work hours per year.

<u>Programmatic Performance</u>

- Service delivery for Operating Permits has been less than the anticipated service level needs (1993 study) and is seriously behind schedule. The department has committed to an aggressive permit issuance scheduled with EPA to address this shortfall by November 2003.
- The 2001 permit productivity of the Construction Permit team exceeded the projected annual permit productivity target stated in the 1993 study. However, the timeliness of construction permits is not satisfactory. The demand for construction permits remains high – higher than projected in 1993. Significant wait times for construction permits impedes the schedules for some resource development projects. The multi-year average of 253 days to deliver a construction permit should be reduced – the department thinks that 120 days is a target that is responsive to user needs.

- High staff turnover in the construction permits group impedes the ability to sustain group performance for consistent timely delivery of permits - 80 % turnover in 2001. The turnover is mostly due to non-competitive salaries for journey level staff and an overall high demand for this expertise in Alaska and elsewhere.

- The small business assistance function has not been performed during the past three years due to fiscal constraints.

- Due to limitations in staff resources, the department decided to minimize the effort to recover past due accounts receivable, neglecting all but the most significant outstanding bills.

- The department does not audit emission fee estimate reports provided by permittees against raw data, although the department does check industry calculations for the assessable emissions.

Program Management:

- The Air Permits Program Manager and the division Director recognized the fiscal constraints during the past three years and managed the program to maintain expenses at less than actual revenues. The managers also managed the program to keep expenditures below the budget expenditure cap established by the legislature in setting the division's budget. Managing the program to achieve these objectives resulted in an overall reduction of program services – services levels that are lower than the demand and services levels that result in friction with the regulated community and members of the public.

- Until 2000, relatively little management control was exerted to achieve billable hour targets. Performance requirements for staff dedicated to direct permit service work is now set at 50% of their annual work hours. Improvements in inter-staff consistency for direct permit service delivery have improved once performance goals were set. It is uncertain if improved management controls and individual performance targets will result in fully attaining the program-wide goal of 35% billable time as projected in the 1993 analysis.

  Note: In recent years, the program has preferentially held positions vacant whose duties have a lower ratio of billable work. It is important to fill these positions because the job duties need to be performed, yet this will impede additional progress towards higher billable hour totals.

- In choosing cost control measures, the managers gave deference to retaining functions that are directly related to delivering of permits and field compliance oversight. This decision still reduced direct permit services. Cost controls were applied specifically to: eliminate the small business assistance functions, cut back travel and contractual funds for staff to accomplish field work and training, and holding second level supervisor positions vacant. The latter action resulted in inadequate supervision of staff and lack of program guidance and regulatory improvements, which are directly linked to improving operational efficiencies and minimizing external conflict with program users.

V. OPTIONS AND RECOMMENDATION

The analyses presented in this report leads to several thoughts for changing the future of the air quality permits program. The primary focus of this report is to examine the use of program funds (fee revenues) for delivering the service provided by DEC's Air Permits Program. In making this analysis the issues of program cost and services are inextricably linked. Consequently, in reviewing options for future changes the issues of services and the funding to support those services must go hand-in-hand.

The department is interested in making a critical review of the program and believes this is an opportune time to do so. We believe that a primary or capstone question must first be answered by the primary stakeholders of this program. That question is whether Alaska should retain the air permitting decisions as a state executed program (a.k.a. state primacy).

There are pros and cons to retaining state primacy. From a policy and public service perspective, we believe it is important to periodically re-visit this fundamental state policy decision. Furthermore, it is perhaps more critical at this time because continuation of the program services in a status quo situation will not support retention of state primacy. It is the division director's best professional estimate that EPA will intervene to recover jurisdiction unless changes are made within one year to improve the output rate for air operating permits. Regardless of any federal intervention, if the program is to retain adequate support by Alaskans, service delivery needs to improve to meet business demands by the entities that must acquire a construction or an operating permit. The current services do not appear to satisfy two of the primary stakeholder entities: the regulated business and industries of Alaska, or the U.S. Environmental Protection Agency.

The air permits program provides a service to all Alaskans in protecting public health and provides a direct service for the businesses and industries that are regulated. Consequently, it would be irresponsible for the department to chart a course forward without first discussing the various options with Alaskans and the regulated community.

The department will initiate conversations, workshops and other forms of dialogue with Alaskans before deciding upon a course of action. These discussions could result in a variety of changes and we seek input from all stakeholders before the department makes any course changes that would substantially alter the program.

To assist initiating the dialogue with stakeholders about how the program may change, the department has prepared a list of options which are presented in a table format at the end of this report. This list of options should be considered only a start point for the review of potential options for program and funding changes. The tables are not intended to be all inclusive. Other ideas are expected to be generated through future meetings and dialogue. The tables attempt to briefly highlight the pros and cons to several issues. Some of these issues are intertwined. Many of the presented choices depend upon the primary capstone decision about state primacy. The decision on that issue will serve to create a first fork in the road for other options that address service levels and funding mechanisms. If the decision is to retain primacy, then some of the other options can only be considered for the short term horizon because they would be incompatible with retaining state primacy. This short vs. long term segregation of options is also predicated upon the fact that the potential loss of state primacy is not a problem that must be resolved in the next few months.

To begin the dialogue with stakeholders another companion document will also be used and provided to participants. A couple years ago DEC in cooperation with Alaska Oil & Gas Association and EPA hired a contractor to examine the construction permitting programs in other states in order to assess how Alaska's program could be improved.

This was called the Air Permits Benchmarking Study. Many of the recommendations in the Benchmarking Study are applicable to operating permits. The Benchmarking Study report is expected to be useful for the stakeholder dialogues because it provides much of the substance on the what and how for improving the air permitting procedures and products.

FIGURE 1. REVENUES BY YEAR BY FEE TYPE

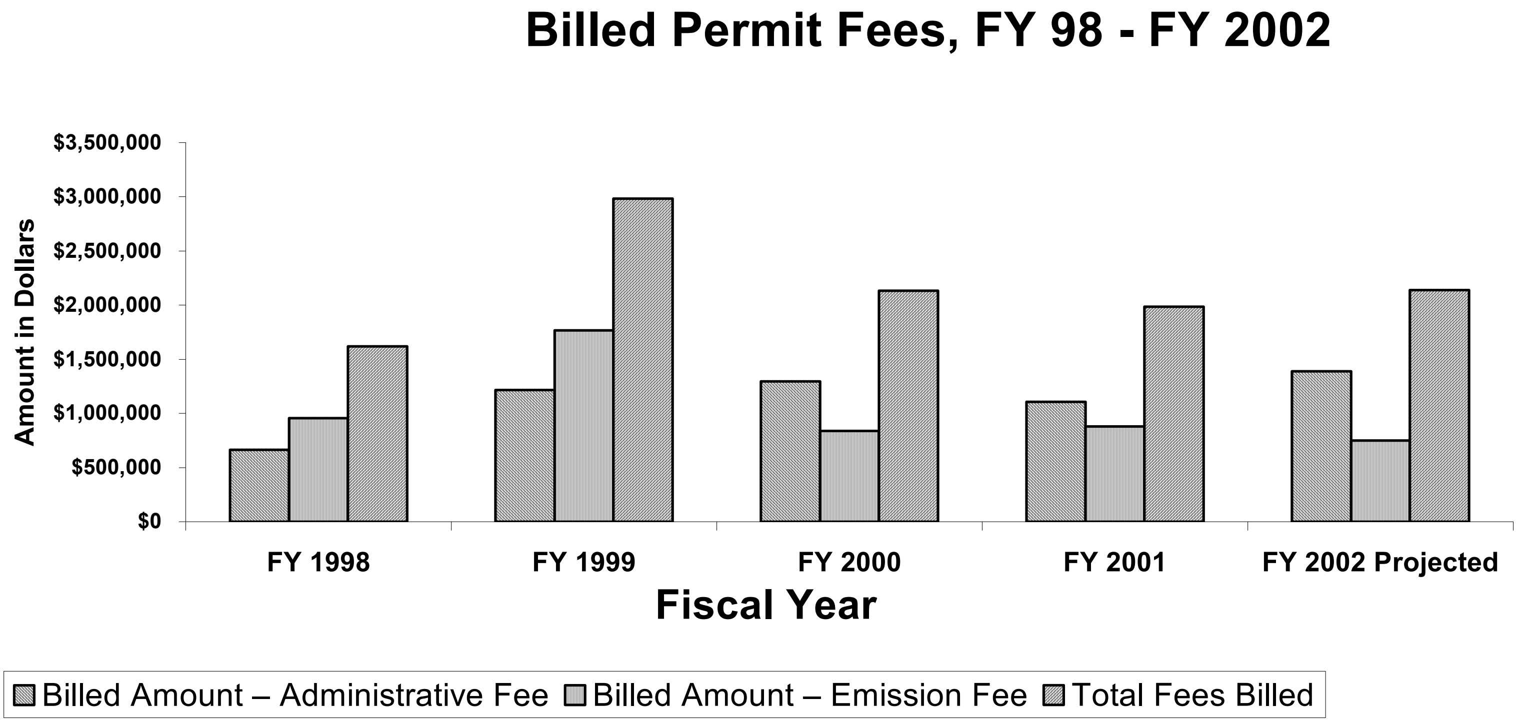

FIGURE 2. STATEWIDE EMISSIONS FOR BILLABLE EMISSION FEES BY YEAR

Fiscal Year	Emission Fees ($)	Assessable Emissions (Tons)
Initial Estimate	$1,104,500	218,000
1996*	$729,106	220,941
1997	$1,161,982	229,187
1998	$1,134,033	223,675
1999	$1,904,429	375,627
2000	$1,082,220	213,455
2001	$882,993	174,160
2002	$748,572	147,647

* at $3.30 per ton; 1997 and forward at $5.07 per ton

FIGURE 3. DIRECT PERMIT SERVICES VS. OTHER PROGRAM COSTS

(based upon actual costs tracking records for 7 months during fiscal year 2001)

	Costs recoverable through permit administration fees	Costs recoverable through emission fees	Total
Total Costs	$512,715	$412,325	$925,040
Per Cent of Total	55.4%	44.6%	100%

CAPSTONE DECISION

<table>
<tr><th>Retain A State Program</th><th>Lapse Air Permitting to Federal Government</th></tr>
<tr><td>
Impact on Industry:

Permitting and compliance decisions made by State of Alaska, DEC
Fees are paid to the State per state schedule

Impact on Program:

Impacts depend on method chosen to address programmatic and financial issues

Programmatic Issues:

Current service delivery does not meet industry needs
Current service delivery does not meet federal minimums

Financial Issues:

Program funding (authorization) is not sufficient to provide adequate service.
Revenue receipts from user fees are not sufficient to provide adequate service

Other Impacts:

Impacts depend on method chosen to address programmatic and financial issues

Statute/Reg Change Needed (what is needed, why & how?):

Regulation change is needed if fee revenue increase is to be attained.

Other Change Needed (i.e. policy, operations):

Increase staff and use of contractors needed to meet service minimums.
Additional program management; performance and efficiency measures necessary

Pros:

Alaska businesses, industry and citizens retain more control of air quality
Federal highway funds are not jeopardized

Cons:

State government must retain employees and incur some costs

</td><td>
Impact on Industry:

Permitting and compliance decisions are made by EPA and may be more restrictive
Fees for operating permits will increase
Total overall cost of the permit program will increase

Impact on Program:

Construction and operating permits eliminated. Open burning and complaint response for nonpermitted facilities remain.
Federal highway funds are jeopardized, high risks for loss of some roadway funds

Programmatic Issues:

Loss of construction permit program may affect other air quality programs; mobile source control efforts

Financial Issues:

Likely loss of federal grants funds (approx. $240,000 used in construction permits)

Other Impacts:

Staff layoffs

Statute/Reg Change Needed (what is needed, why & how?):

Repeal of portions of AS 46.14 dealing with air permitting.

Other Change Needed (i.e. policy, operations):

Reorganization to accommodate open burning and complaint response

Pros:

Reduces overall state employees, minor reductions in GF spending

Cons:

Eventual loss of federal highway funds

</td></tr>
</table>

SERVICE DELIVERY OPTIONS

INCREASE SERVICE DELIVERY	PROVIDE SERVICE AT CURRENT AUTHORIZED FUNDING
Short Term/ Long Term: • Either **Impact on Industry:** • Improved permit delivery times • More consistent program decisions • User fee increase **Impact on Program:** • Increase staff and use of contractors • Depends on how financial issue is addressed **Programmatic Issues:** • Depends on how financial issue is addressed **Financial Issues:** • Budget authorization increase is needed • Fee revenue increase is necessary **Other Impacts:** • **Statute/Reg Change Needed (what is needed, why & how?):** • Regulation change for user fee rates • Statutory change if changing funding structure is desired **Other Change Needed (i.e. policy, operations):** • Policy changes to improve accountability **Pros:** • Consistent with retaining state program **Cons**: • Increases size and cost of state government	**Short Term / Long Term:** • Short term only, program lapses to EPA in long term **Impact on Industry:** • Problems continue in permit delivery and policy issues • Probable fee increase • No small business assistance **Impact on Program:** • permit process improvements are slow • billing & collection problems persist. **Programmatic Issues:** • Service level deficiency leads to EPA takeover in approx.18-24 months. **Financial Issues:** • Current fee rates will increase to attain revenues that reach authorized funding • Poor collection percentages will likely continue **Other Impacts:** • Poor responsiveness to public service requests and complaints continues. **Statute/Reg Change Needed (what is needed, why & how?):** • Regulation change to set new fee rates **Other Change Needed (i.e. policy, operations):** • More decision authority needed for first line supervisors **Pros:** • Postpones dialogue with Legislature until more improvements and analyses are completed **Cons**: • Only viable as a short term option if primacy to be retained

PROGRAM FUNDING ISSUE #1 – USING FEDERAL GRANT MONEY

EXISTING LAW IS BASED UPON 100% OF PROGRAM COSTS BEING SUPPORTED BY USER FEE S REVENUES

<table>
<tr>
<th>FUND PROGRAM CONSISTENT WITH AS 46.14

(REMOVE FEDERAL FUNDING ASSISTANCE)</th>
<th>MAINTAIN CURRENT FUNDING STRUCTURE
(CONTINUE TO USE FEDERAL FUNDS; APPROX 300K/YR)</th>
<th>INCREASE FEDERAL GRANT FUNDS ALLOCATED TO AIR PERMITS</th>
</tr>
<tr>
<td>Short Term / Long Term
Long term only, since replacement revenue required
Impact on Industry:
• Permit fees will be higher unless service is cut
Impact on Program:
• Federal grant money can be directed to air quality work not associated with permits
• Other non-point air quality issues will make progress
Programmatic Issues:
• Consistent with current state statute
Financial Issues:
• Fee rate changes required if existing construction permit services are retained
Other Impacts:
•
Statute/Reg Change Needed (what is needed, why & how?):
• Regulation change needed to adjust fee rates
Other Change Needed (i.e. policy, operations):
• Direction to staff on when to use federal grant fund codes.

Pros:
Program is executed consistent with current state law
Federal funds directed to other air quality risks
Cons:
Costs increase to applicants and permitted entities</td>
<td>Short Term / Long Term
Either
Impact on Industry:
• Continues to reduce expenses chargeable to industry
Impact on Program:
• Federal grant funds are not available for other air quality purposes
Programmatic Issues:
• Only construction permitting & state implementation plan work is eligible.
Financial Issues:
• Federal funding assistance is inconsistent w/ statute
• Must ensure that no grant funds are used to support operating (Title V) permit program.
Other Impacts:
•
Statute/Reg Change Needed (what is needed, why & how?):
• Statutory change to remove inconsistency is desirable
Other Change Needed (i.e. policy, operations):
None
Pros:
Reduced overall permit program costs to industry
Cons:
Shifting federal funds would lower other air health Risks</td>
<td>Short Term / Long Term
Long term only, negotiations w/ EPA required
Impact on Industry:
• Further reduces expenses chargeable to industry
Impact on Program:
• Changes the federal grant workplan.
• If no new federal funds, other air quality work would reduce - health risks increase.
Programmatic Issues:
• Change requires EPA concurrence, EPA’s national priorities will make this a difficult negotiation.
Financial Issues:
• Must ensure that no grant funds are used to support operating (Title V) permit program.
Other Impacts:
•
Statute/Reg Change Needed (what is needed, why & how?):
• Statutory change to remove inconsistency is desirable
Other Change Needed (i.e. policy, operations):
None
Pros:
Further reduces costs to regulated industry in Alaska
Cons:
Less funding for important non-permit air health risks</td>
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</table>

PROGRAM FUNDING ISSUE #2 – THE BALANCE BETWEEN PERMIT ADMINISTRATION VS EMISSION FEES

REVISE FEE REVENUE PROPORTIONS TO MATCH COSTS PER STATUTE	REVISE FEE REVENUE PROPORTIONS TO 1993 ESTIMATES
Short Term / Long Term: Either or both **Impact on Industry:** • Higher proportion of cost will be recovered by emission fees • Actual figures depend on total funding **Impact on Program:** • None **Programmatic Issues:** • None **Financial Issues:** • 55 percent of program revenue generated by permit administration fees and 45 percent by emission fees **Other Impacts:** • **Statute/Reg Change Needed (what is needed, why & how?):** • Regulatory change to set new fee rates **Other Change Needed (i.e. policy, operations):** None **Pros:** Consistent with existing law **Cons:** Greater percentage of costs will be borne by small segment of industry – largest emitting facilities	**Short Term / Long Term:** Either or both **Impact on Industry:** • More of the program cost elements assigned to per hour fees • Actual figures depend on total funding **Impact on Program:** • Requires more emphasis on billable work • More tracking of costs to assure full capture/tracking **Programmatic Issues:** • Guidance for staff needed to track costs **Financial Issues:** • 1993 projection was 70 percent of revenue from permit administration fee, 30 percent by emission fees **Other Impacts:** • **Statute/Reg Change Needed (what is needed, why & how?):** • Statutory change to allow additional direct cost items to be recovered is likely to be needed. • Regulatory change to set new fee rates **Other Change Needed (i.e. policy, operations):** None **Pros:** costs borne more equally across all industry sectors **Cons:** • 1993 70/30 projection may not be achievable

PROGRAM FUNDING ISSUE #3– CHANGE BALANCE OF FUNDING SOURCES

CHANGE FUNDING STRUCTURE TO MATCH HB 361	CHANGE FUNDING STRUCTURE FOR TITLE V TO BE CONSISTENT WITH MOST OTHER STATES	KEEP CURRENT FUNDING STRUCTURE
Short Term / Long Term: Long term only **Impact on Industry:** • Reduction in fees for construction permits **Impact on Program:** • May reduce ability to shift staffing resources to meet most pressing needs **Programmatic Issues:** • Requires changes to accounting and billing structure • HB 361 conflicts with fed law for operating permits, HB 361 principles for only construction permits **Financial Issues:** • Requires new state or federal funds to support indirect costs for construction permits • Increased internal costs to establish and administer new construction permitting fees **Other Impacts:** • **Statute/Reg Change Needed (what is needed, why & how?):** • Change to AS 46.14 to change funding structure • Change to regulations necessary for new fee rates **Other Change Needed (i.e. policy, operations):** Policy and guidance changes required **Pros:** Consistent with other permitting functions in DEC **Cons:** New funding sources will be difficult to acquire	**Most states are 100% funded by emission fees** **Short Term / Long Term:** Long term only **Impact on Industry:** • Permit administration fee eliminated • Emission fees increased to cover entire cost of operating permits program **Impact on Program:** • Eliminates detailed time tracking **Programmatic Issues:** • **Financial Issues:** • Construction permits could be funded same or differently • Emission fee rate may need to be revised frequently **Other Impacts:** • **Statute/Reg Change Needed (what is needed, why & how?):** • Statutory change necessary • Regulation change to implement statutory changes **Other Change Needed (i.e. policy, operations):** • Management information system will be needed to maintain the work discipline currently provided by recording billable time **Pros**: Fewer internal accounting controls required for time tracking **Cons:** Larger emitting sources will bear disproportionate costs	**Short Term / Long Term:** Short term and long term **Impact on Industry:** • None, but current cost inequities are retained **Impact on Program:** • None **Programmatic Issues:** • Continue detailed time tracking **Financial Issues:** • Fee rates will be increased if service level increases or if emission estimates decline **Other Impacts**: • **Statute/Reg Change Needed (what is needed, why & how?):** • None **Other Change Needed (i.e. policy, operations):** • Continued guidance and emphasis on billable activities **Pros**: Current structure reinforces private sector business model to contain and track costs **Cons**: Program costs are not easily compared to other states